



Simpson-Vance House 1892

Redwood Community Action Agency —

31 March 2004

**INFORMATION &
REFERRAL (707) 269-2002**

AMERICORPS
(707) 269-2024

ENERGY SERVICES
(707) 444-3831
Consumer Education, Ext 201
Weatherization, Ext. 204
Lead Based Paint Hazard
Reduction & Inspection, Ext 207
Home Energy Assistance Program
(707) 444-3834

FAMILY SERVICES
Transitional Living Program
(707) 269-9590
Family Emergency Shelter
(707) 269-2075

**FOOD STAMP
DISTRIBUTION OFFICE**
(707) 443-6317

HOUSING SERVICES
(707) 269-2033
Housing Rehabilitation
Grant Administration
Program Consulting
Wheelchair Ramp Program
(707) 269-2031

**NATURAL RESOURCES
SERVICES**
(707) 269-2057 or 269-2065
Planning & Implementation
Restoration/Mitigation
Consulting & Education
Ecosystem Management Training
Landscape Contractor License #518874

**NORTH COAST MENTOR
PROGRAM**
(707) 269-2052

PROPERTY MANAGEMENT
Affordable Housing (707) 269-2011

VISTA PROJECT
(707) 269-2052

YOUTH SERVICE BUREAU
Administration & Case Management
(707) 443-8322 Ext 201
24-Hour Youth & Family Hotline
(707) 444-CARE
Launch Pad Long Term T.L.P.
(707) 445-1360
Mentoring (707) 443-8322 Ext. 204
Our House Short Term Shelter
(707) 444-2273
Raven Street Outreach Program
(707) 443-7099
Thrift Stores (707) 445-4217

Docket No. R-1181
Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington DC 20551

RE: Revisions to the Regulations Implementing the CRA

Dear Officials of Federal Bank and Thrift Agencies:

Redwood Community Action Agency urges you to withdraw the proposed changes to the Community Reinvestment Act (CRA) regulations.

The current Community Reinvestment Act regulations have furthered accessibility to homeownership, multi-family housing development, and the expansion of minority-owned small businesses within the nation's minority, immigrant, and low- and moderate-income communities. Passed in 1977, CRA has been instrumental in abolishing redlining or discrimination against neighborhoods. Under the CRA, banks and thrifts are obligated to serve *all* communities in which they are chartered and from which they take deposits. CRA requires that federal agencies examine and rate most banks based on how many loans, investments, and services they offer to low- and moderate-income consumers and neighborhoods.

The beneficially proposed change to expand data collection and reporting for small business and home lending is overwhelmingly damaged by the two other changes which will increase the asset threshold from \$250,000,000 to 500,000,000 for banks to be eligible for a small bank examination, and severely weaken the current predatory lending compliance standard. The proposed changes would reduce the rigor of CRA exams for a large number of banks and include an anti-predatory lending test that would actually *permit* abusive lending, instead of severely penalizing banks for predatory lending.

George Koortbojian
Board President

Equal Opportunity Housing Provider/EOE
904 G Street • Eureka, CA 95501 • FAX: (707) 445-0884

Lloyd Throne
Executive Director

Rigorous fair lending audits and severe penalties on CRA exams for abusive lending are necessary in order to ensure that low-income and people of color borrowers are protected.

Redwood Community Action Agency also does not agree with the federal banking agencies rejection of a proposal to tie a bank's CRA obligations to its market share in a given area rather than just the location of its branches. Financial institutions have the ability to manipulate their CRA exams by excluding affiliates not serving low- and moderate-income borrowers and excluding affiliates that engage in predatory lending. The game playing with affiliates will end only if the federal agencies require that all affiliates be included on exams.

Under the current CRA regulations, large banks with at least \$250 million in assets are rated by performance evaluations that scrutinize their level of lending, investing, and services to low- and moderate-income communities. The proposed changes will eliminate the investment and service parts of the CRA exam for banks and thrifts with assets between \$250 and \$500 million. The proposed changes will also no longer reference affiliations with holding companies. It is expected that these proposed changes would create streamlined and cursory exams for 1,111 banks that account for more than **\$387** billion in assets. The elimination of the investment and service tests for more than 1,100 banks translates into considerably less access to banking services and capital for underserved communities like ours here on the North Coast of California. Many banks with assets between \$250 and \$500 million are located in rural areas. Many rural banks as well as a large subset of depository institutions will no longer be required or obligated to serve the investment and deposit needs of all the communities in which they are chartered and take deposits.

In conclusion, Redwood Community Action Agency believes the proposed changes threaten CRA's statutory purpose of the safe and sound provision of credit and deposit services. Full compliance with CRA regulations needs to occur where lending and profit making activities take place in substantial proportion. CRA gives ordinary citizens the opportunity to have a voice regarding a bank's lending, investment, and service components. CRA is far too vital to be gutted by harmful regulation changes and neglect.

Thank you for your attention to this critical matter.

A handwritten signature in black ink, appearing to read "Lloyd Throne", is written over a light gray rectangular background.

Lloyd Throne
Executive Director